

For example, a student from a \$30,000-income family conceivably could have greater need in a particular case than one from, say, a \$12,000 family. This can depend on many things. The higher income family might have three or four children in college at the same time; the lower income family, perhaps only one.

All we suggest is that the law and its intent be restated in such a way that the student financial aid officer may be a meaningful participant with the student, the student's family, and the lender in helping the student decide on the amounts he will borrow. As the law is now written, this kind of participation is foreclosed.

Information which comes to us almost daily from lenders and colleges all across the country convinces me that this is a real problem. I am informed again and again by both bankers and college administrators that there is a sharp and continuing rise in loan applications from students who appear to have adequate resources.

And a growing number of students are borrowing up to the full \$1,000 annual limit, whether or not they need that much. Imprudent and unnecessary borrowing does the student no good. Sooner or later he will need to pay that money back. The more he must pay, the more difficult it will be.

Prudence in borrowing, like promptness in repayment, is as good a rule for a college student as it is for this father. Overborrowing has the additional effect of reducing the amount of money remaining for loans to the young men and women who, without such help, might be forced to discontinue their education. The funds available for nonprofit loans are limited, and lenders like to allot them to students who need the money most.

The chairman very wisely said at an earlier session that your committee is interested in prudent spending not only for this year, but for the years ahead of us as well.

Under the proposal now before you, the Government would not spend less. It would spend perhaps \$35 million more in this year alone, simply for placement fees to lending institutions.

These placement fees are entirely legitimate and proper—but how can it then be argued that at the same time one should dismantle an existing, growing program, and go through all the rigmarole and red-tape of establishing entirely new arrangements with the lenders and the States, simply to save an appropriation this year for more seed money?

Indeed, the \$35 million this year for lenders is but the barest beginning of the staggering governmental expenditures implicit in this amendment. These can be calculated in a number of ways.

Using the figures presented in testimony before this committee by Commissioner Howe—and without some form of needs test the Commissioner's figures may prove to be a woeful underestimation—there will be 3 million student borrowers by 1972. This means loans of \$3 billion a year, or \$12 billion for each college generation.

Taking an average payout period of 7 years—the maximum permitted is 10—there will be \$23 billion outstanding at any one time. That is about a fifth of all the installment credit of any kind now outstanding in the entire country.

The Government will be paying \$720 million a year in interest on interim notes and \$330 million a year in interest on payout notes—a yearly total of over a billion dollars.